

## Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 OES-03

FPC-01 COME-00 XMB-02 FRB-03 CIAE-00 INR-07 NSAE-00

EUR-12 IGA-02 /084 W

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P 051500Z MAR 76

FM AMEMBASSY ACCRA

TO SECSTATE WASHDC PRIORITY 1467

C O N F I D E N T I A L ACCRA 1752

E. O. 11652: GDS

TAGS: EALR EIND EINV ENRG GH

SUBJ: VOLTA RIVER AUTHORITY FINANCES AND RELATIONSHIP WITH VALCO

1. SUMMARY. GOG OFFICIAL DEEPLY CONCERNED ABOUT POWER RATE NEGOTIATIONS BETWEEN VRA AND VALCO CURRENTLY BEING HELD AT LONDON, AND AT LONG-TERM IMPLICATIONS FOR BOTH VALCO AND US. WORLD BANK REP CONFIRMS BASIS OF GOG CONCERN. END SUMMARY.

2. COMMISSIONER FOR ECONOMIC PLANNING GARDINER TOLD USAID DIRECTOR FEB 27 HE DEEPLY CONCERNED AT STATE OF VOLTA RIVER AUTHORITY (VRA) - VOLTA ALUMINIUM CO LTD (VALCO) POWER RATE NEGOTIATIONS. (A ROUND HAD BEEN HELD AT MONTREAL IN JANUARY, ANOTHER ROUND CURRENTLY GOING ON AT LONDON.)

3. GARDINER SAID HE WANTED TO TALK TO AMBASSADOR ABOUT THIS BUT HESITANT TO DO SO, SINCE HE ACTING ON HIS OWN. IT CLEAR TO HIM THAT GOG LEADERSHIP WANTS TO AVOID COMPLICATIONS IN RELATIONS WITH USG, BUT THERE ARE THOSE WITHIN AND WITHOUT OFFICIAL CIRCLE WHO WOULD SEIZE UPON APPARENT SUBSIDIZATION OF VALCO BY GOG (BECAUSE OF LOW POWER RATE) TO CAUSE TROUBLE FOR US-GHANA RELATIONS AND FOR FUTURE VALCO OPERATIONS. HE THOUGHT DEPARTMENT MIGHT INTERVENE WITH KAISER, VALCO'S PRINCIPAL OWNER.

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4. GARDINER SAID RATES CURRENTLY BEING DISCUSSED MEAN A SUBSIDIZATION OF DOLS 9 TO 10 MILLION ANNUALLY TO VALCO. HE CLAIMED CANADIANS HESITANT TO PROCEED WITH FINANCING PORTION OF SECOND DAM (KPONG) UNLESS RATE TO VALCO HIGHER; CANADIAN NON-PARTICIPATION WOULD JEOPARDIZE KPONG PROJECT. HE ALSO CLAIMED IBRD SUPPORTIVE OF HIGHER RATES THOUGH OFFICIALLY IT CANNOT TAKE POSITION.

5. E/C COUNSELOR DISCUSSED MATTER AT LENGTH MARCH 3 WITH IBRD RESIDENT REP (MCGIBBON). HE CONFIRMED THAT IBRD EXPERTS BELIEVE THAT VRA MUST SIGNIFICANTLY INCREASE REVENUE IF IT IS TO AVOID FINANCIAL TROUBLE; ALTERNATIVE TO IMPORTANT INCREASE IN RATE TO VALCO IS DOUBLING OF RATES TO DOMESTIC CONSUMERS. IBRD IS CAREFULLY AVOIDING ADVISING VRA, HOWEVER, WHICH MEANS IT SHOULD USE TO INCREASE ITS REVENUE.

6. COMMENT: MCGIBBON'S INFORMATION INDICATES GARDINER'S APPROACH REPRESENTS REAL CONCERN AND IS NOT RPT NOT SIMPLY A NEGOTIATING PLOY. IMPLICATIONS FOR VALCO'S POSITION IN GHANA SERIOUS IF IT REMAINS AS ADAMANT ON POWER RATE AS GHANAIS SEEM TO THINK IT IS; SINCE VALCO REPRESENTS FULLY ONE-THIRD OF TOTAL FOREIGN INVESTMENT IN GHANA, AND IS HIGHLY VISIBLE OPERATION AS WELL AS VULNERABLE (BECAUSE 100 PCT. US-OWNED, AND EXEMPTED FROM INVESTMENT POLICY DECREE REQUIRING PARTIAL GHANAIAN OWNERSHIP OF LONG LIST OF INDUSTRIES), IMPLICATIONS ALSO SERIOUS FOR US. ON OTHER HAND, THE ONLY REASON VALCO WAS ESTABLISHED IN GHANA WAS BECAUSE OF LOW-COST POWER, AND IT CLEAR THAT THERE IS A POWER RATE BEYOND WHICH THE WHOLE PROJECT IS UNVIABLE.

7. FOR DEPARTMENT: WOULD APPRECIATE CHECKING WITH CIDA TO SEE IF REPORT IS TRUE THAT CANADIANS HESITANT TO PROVIDE KPONG FINANCING UNLESS POWER RATE UPPED SIGNIFICANTLY.  
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